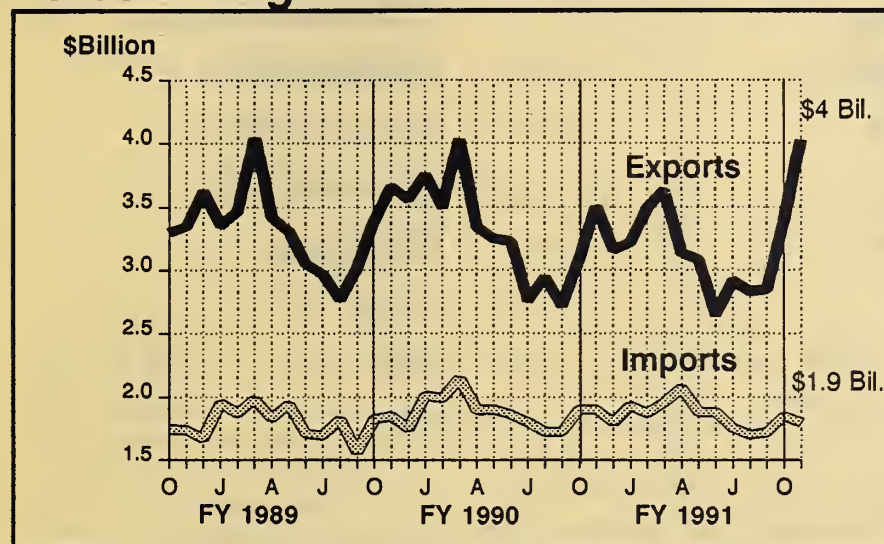


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AGRICULTURAL TRADE HIGHLIGHTS

November Agricultural Exports Up 15 Percent--Highest Since March 1990



November trade statistics released on January 17 by the Commerce Department placed the value of U.S. agricultural exports at \$4 billion, up 19 percent from October and up 15 percent from the same month last year. Large gains in wheat, soybeans, and horticultural products contributed to the month's record performance, which was the highest level ever recorded for November and the highest recorded since March 1990. Export volume was strong as well, with double-digit increases of 23 percent over month-ago and 21 percent over year-ago figures. November's performance brings the cumulative fiscal 1992 total to \$7.4 billion and 26.2 million tons, up 13 percent and 21 percent, respectively, from the same period last year.

At \$1.9 billion, U.S. exports of *bulk commodities* were up 10 percent from November 1990 and up 37 percent from last month. The \$176-million gain was the result of significant increases in wheat (up \$155 million) and soybean (up \$148 million) exports to the EC and the former Soviet Union, which more than offset losses in coarse grains, cotton, and

tobacco exports. To-date, bulk exports of \$3.3 billion remain well ahead of year-earlier levels (up 11 percent).

U.S. exports of *intermediate high-value products* registered a measurable gain in November, rising 27 percent to \$930 million. Increases in all but two intermediate categories contributed to the \$196-million rise for the month. Soybean meal and oil exports logged a combined \$67-million rise, followed by a sharp increase in live animal exports (up 181 percent or \$63 million). Shipments of feeds and fodders registered the third-largest rise for the month, up 25 percent to \$165 million. The month's strong performance helped to push the 1992 year-to-date total up 11 percent over year-earlier levels to \$1.7 billion.

U.S. exports of *consumer-oriented products* registered yet another rise in November--up 15 percent to \$1.16 billion--as all but one category improved over year-ago levels. Tree nuts (up \$31 million), poultry meat (up \$30 million), fresh fruit (up \$23 million), and dairy products (up \$20 million), recorded the largest dollar

gains, and accounted for nearly 70 percent of the \$152-million increase in the consumer-oriented category for the month. November's performance brings the year-to-date total to \$2.4 billion, 16 percent ahead of the same period last year.

Trade performance with the *top 10 U.S. agricultural export markets* was mostly up for November, with three countries slipping and five advancing over year-earlier levels. The former Soviet Union continues to make leaping gains, rising 419 percent, or \$311 million, over last November, due to the recent surge in bulk commodity shipments. Also impressive was the EC's gain of 17 percent, or \$121 million, propelled in large part by increased U.S. shipments of soybean and oilseed products. Other November gainers included Canada (up 11 percent), Saudi Arabia (up 77 percent), Hong Kong (up 19 percent), and Taiwan (up 29 percent).

U.S. agricultural imports for November registered \$1.87 billion, bringing the month's surplus to \$2.15 billion, \$550 million ahead of November 1990. November's performance brings year-to-date imports to \$3.8 billion and 3.7 million tons, up 3 percent in value and unchanged in volume over the same period last year.

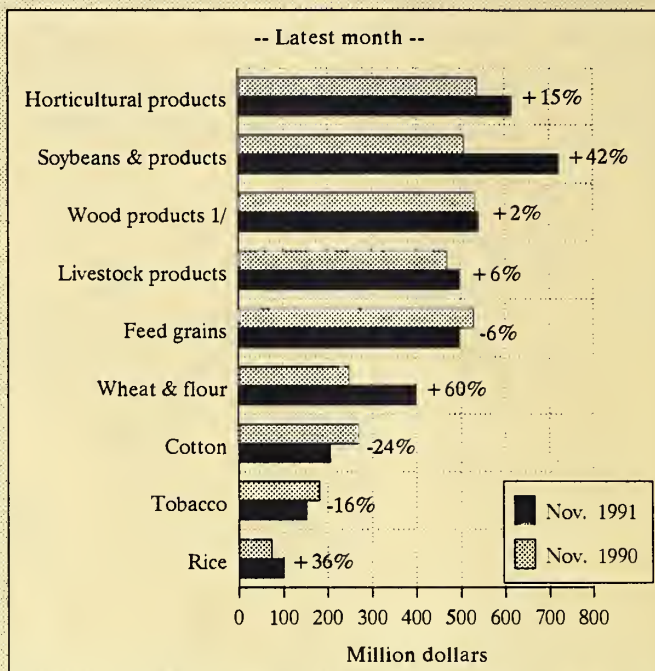
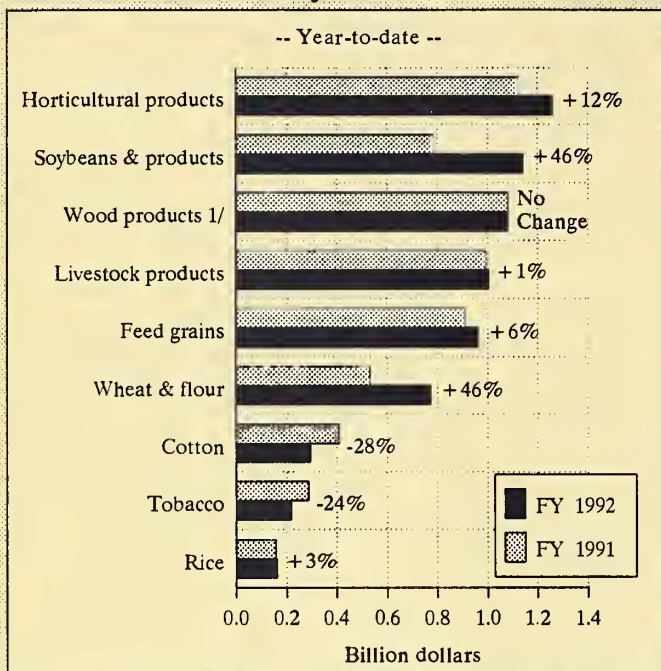
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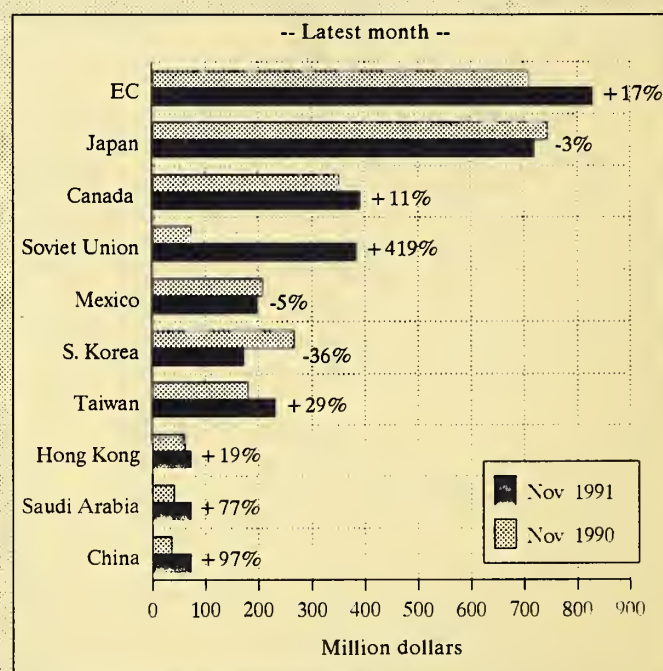
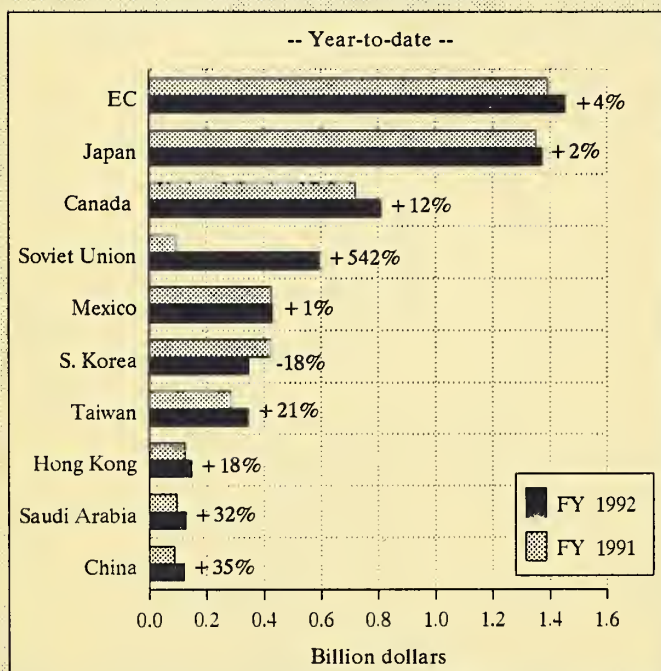
U.S. Agricultural Export Summaries

October-November and Latest Month Comparisons

Product Summary



Top Ten Markets Summary



Note: Percentages are computed as the change from a year ago.

1/ Not included in agricultural totals.

Commodity Highlights

Agricultural exports in November rose to \$4 billion, the highest level ever recorded for the month of November and represents a 15-percent increase from year-ago levels. Significant gains in wheat, soybean and products, and high-value products accounted for the majority of the increase.

At \$399 million, *wheat and wheat flour* exports continued strong in November, rising \$150 million from last year. Shipments of \$100 million to the former Soviet Union--up from no reported exports a year-ago--and strong sales to China accounted for most of the increase. Export volume was also higher, up 73 percent from year-ago November levels to 3.8 million tons. For fiscal year-to-date, exports now total \$775 million on 7.1 million tons, up 46 percent in value and 58 percent in volume.

Soybean and product exports totaled \$723 million in November, up 42 percent from last year as sharp gains were registered in major U.S. markets. Exports of all major components rose significantly, including soybeans (up 37 percent), soybean oil (up 84 percent), and soybean cake and meal (up 57 percent). The most notable rise was reported by the EC (up 45 percent to \$290 million), followed by Japan (up 53 percent to \$107 million), and the former Soviet Union (up 134 percent to \$115 million). For fiscal year-to-date, U.S. soybean and product exports are up 46 percent in value on a 48-percent increase in volume.

At \$498 million, November exports of *feed grains* were down 6 percent in value and 10 percent in volume. Tightening U.S. stocks led to increased U.S. prices while steady foreign import demand lowered the expected export volume. Sharply lower exports to Mexico (down \$27 million), Egypt (down \$36 million), Korea (down \$50 million), and Japan (down \$56 million) more than offset gains to the former Soviet Union (up \$125 million) and the Middle East

(up \$31 million). Year-to-date, exports are up 2 percent in both value and volume.

Rice exports in November of \$100 million were up 36 percent from last year. Strong exports to Brazil (up \$26 million), Guinea (up \$7 million), and the Ivory Coast (up \$7 million) more than offset lower exports to Turkey (down \$12 million) and Haiti (down \$4 million). Lower world stocks have helped to push prices up but export volume down. Fiscal year-to-date exports are down 5 percent in volume on a 3-percent value increase.

Exports of *horticultural products* continued to show growth in November. At \$617 million, shipments were 15 percent above last November resulting from widespread improvements in most major markets. Exports to the EC and Japan, which constitute 40 percent of total horticultural exports, increased 22 percent and 26 percent, respectively. This increase accounted for 60 percent of the total gain. Exports to Canada, the United States' largest market, were up by only 7 percent. For the first 2 months of the fiscal year, exports are a strong 12 percent above year-ago levels.

At \$151 million, *unmanufactured tobacco* exports fell 16 percent in November from last year. Among those markets suffering losses include the EC, which shrunk by 43 percent and accounted for more than the overall decline, and Japan, falling 37 percent, or \$14 million. These losses were partially offset, however, by a \$19-million increase (75 percent) in

exports to Taiwan. For the year, exports are down 24 percent in value on 20-percent lower volume.

Cotton exports in November continued their declining trend of the past several months, falling 24 percent to \$205 million. Significantly lower exports to the EC (down 37 percent), Japan (down 29 percent), and Korea (down 28 percent) contributed to the overall loss for the month. Global factors influencing the disappointing U.S. trend include an increase in export competition from major producers due to higher world production. Year-to-date, cotton exports are down 27 percent in value and 23 percent in volume.

Livestock and product exports of \$493 million were up \$29 million from last November. Strong exports to the EC (up \$40 million or 91 percent) and Mexico (up \$25 million or 48 percent), more than offset weak exports to Japan (down \$22 million) and Korea (down \$20 million). Boosted by the month's performance, year-to-date exports are 2 percent above year-ago levels.

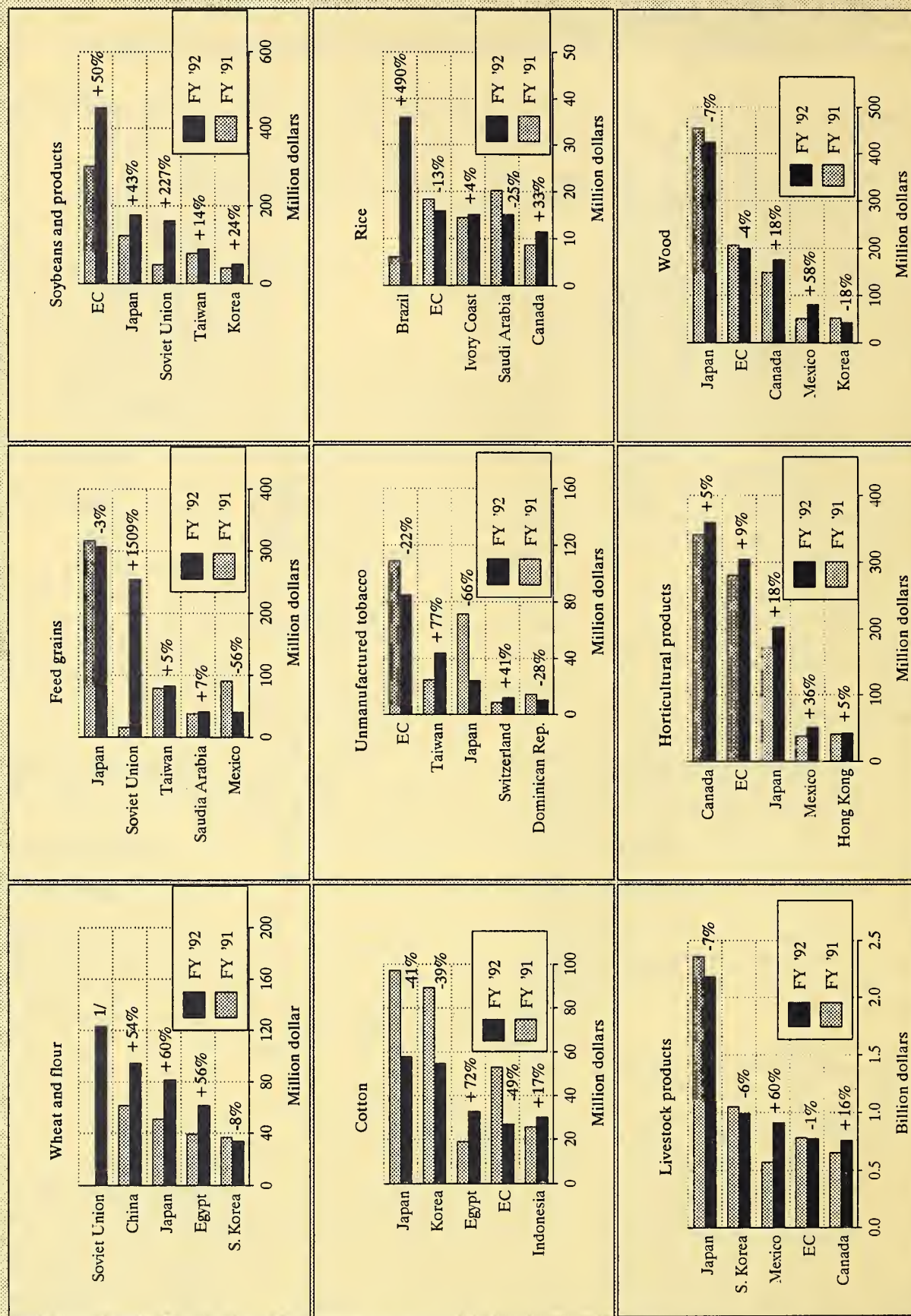
At \$541 million, November exports of *wood products* were up 2 percent from year-ago levels. Higher exports to Mexico (up \$18 million) and Canada (up \$14 million) more than offset lower exports to other important markets, including the EC (down \$8 million) and Japan (down \$20 million). For the year, exports are unchanged at \$1.08 billion.

For more information, contact James Johnson at (202) 720-2922

Note: Agricultural Trade Highlights will now be profiling U.S. agricultural imports on a quarterly basis. However, monthly statistics will continue to be reported in each issue. For a summary of November's imports, please see page 21.

Top Five Markets for Major U.S. Commodities

October-November Comparisons



Note: Percentages are computed as the change from fiscal 1991 to fiscal 1992 cumulative totals.
 1/ Negligible exports reported during comparable period last year.

Country Spotlight: Sweden



Swedish agricultural reforms may offer enhanced opportunities for increased U.S. food sales. Sweden is currently negotiating with the European Community (EC) for association status. They are likely to join the EC eventually, and are beginning to align their policies and product standards accordingly. Perversely, this may enhance market access for imports because some barriers are higher in Sweden than in the EC.

While food imports from the United States represent less than 7 percent of all agricultural imports, U.S. cotton and tobacco sales fare better, accounting for almost half of the country's imports of these commodities. Total agricultural sales from the United States to Sweden were \$145 million in fiscal 1991. While this level is modest, there is some potential for increased sales in the next few years.

The agricultural sector in Sweden can be characterized as heavily pro-

tected and subsidized, with an emphasis on self-sufficiency in food. Domestic prices for farm products are negotiated each year between the government and farmers' organizations. While Sweden has no quantitative constraints on food imports, and its tariffs are generally low, many imported agricultural commodities are assessed a variable import levy which protects domestically produced foods. Most agricultural imports consist of those commodities they do not produce, or produce only seasonally. More than half of all Swedish agricultural imports consists of horticultural products.

In June 1991, the Swedish Parliament enacted a reform of the agricultural sector aimed at reducing Swedish food prices for the consumer, in addition to aligning their policies more closely with the EC. This will be accomplished by reducing import duties and non-tariff barriers to trade, as well as paying lower support prices for government purchased agricultural products. These lower prices will be phased in over a 3-year period starting in 1992. This more market-oriented approach should mean greater access for imported agricultural products.

The United States is Sweden's leading supplier of almonds, peanuts, raisins, crayfish, pears, prunes, parboiled rice, potato flour, and po-

tato flakes. In addition, the United States does significant export business with Sweden in pork loins, avocados, carrots, grapefruit, grapes, apples, kiwis, orange juice, wines, oak lumber, and plywood.

Italy provides stiff competition for U.S. suppliers of carrots, grapes, pears, cherries, plums, and kiwis. Morocco supplies half of the tangerine market. Chile is a major supplier of grapes, apples, and wood chips, while Argentina is a major supplier of apples and pears. France dominates the markets for wine in both Sweden and Finland. Hungary and Denmark are the major competitors with beef liver. Spain, a very efficient and quality-conscious producer of fruits and vegetables, is a major supplier to the Swedish and Finnish markets of tomatoes, celery, tangerines, lemons, strawberries, plums, and wines. Italy, Israel, Spain, Australia, and New Zealand are especially active with market promotion activities in Sweden and Finland.

Fortunately, the limited size of the Swedish market is somewhat offset by its wealth and consumption patterns which tend to be similar in many respects to the United States. This observation may be one bright spot for U.S. exporters as uncertainty grows about the effects of recent widesweeping economic reforms occurring all over Europe.

As the United States continues to improve its competitive position in the export of high-value products, no market should be overlooked--and recent liberalization of the Swedish economy may likely lead to increased opportunities for U.S. food exporters.

For more information, contact Tom St. Clair, (202) 720-6821

Interested in exporting to Sweden?
Contact *Gordon Nicks*, FAS Attache. Telephone: (011-46-8)783-5389, FAX: (011-46-8)662-8495.

EEA: The World's Largest Market

After more than a year of negotiations, and still pending ratification by the European Parliament and its 19 members, the EC-12 and the members of the European Free Trade Area (EFTA)--Austria, Finland, Iceland, Norway, Sweden, Switzerland, and Liechtenstein--have entered into an agreement that will create the world's largest free-trade area by 1993. Although the EFTA countries will not gain full benefits to EC membership, goods, services, capital, and people will move freely across borders. More importantly, the European Economic Area (EEA) will house 380 million consumers--46 percent of world trade.

Although EFTA is small in comparison to the EC (one-tenth of its population and a GDP less than half that of Germany's alone), the group of seven countries is the EC's largest single trading partner. For EFTA, however, the potential benefits are even greater, as the EC currently purchases 58 percent of its total exports.

Product Spotlight: Condiments

Continuing this month with its profile of processed U.S. food exports, Agricultural Trade Highlights features the recent growth in condiment exports to global markets. Although relatively small in total value, current trends indicate that U.S. exports of products such as ketchup and mayonnaise may hold significant potential for the 1990's.

A soaring demand for consumer-ready foods across many of the developed world economies has also raised the demand for their complements. U.S. exports of condiments, such as ketchup and mayonnaise, have almost tripled in 3 years to \$164 million in fiscal 1991, and are expected to double by the mid-1990's if current trends continue.

A well-developed U.S. food processing sector, helping to ensure consistent product quality at a competitive price, has enabled U.S. shippers to take advantage of growing world condiment demand. U.S. condiment exporters predict even further gains, particularly in East Asian markets, where the steady growth in meal consumption away from home is likely to continue.

The largest U.S. condiment export is tomato sauce, with over \$30 million in sales in 1991, followed by mayonnaise (\$19.1 million), salad dressing (\$14.3 million), and tomato ketchup (\$14 million). Export growth for each of the above products has been at least 10 percent every year since 1986.

Canada tops all U.S. condiment export markets with \$61 million in sales in 1991, up sharply from \$32

million the year before. A variety of sauces and preparations make up the bulk of shipments to Canada, totalling \$41 million in 1991. Tomato sauce is the largest individual U.S. condiment shipped to Canada, with \$17 million in sales in 1991, followed by salad dressing (\$9 million), mixed seasonings (\$6 million), and mustard (\$2 million).

U.S. exports of condiments . . . have almost tripled in 3 years to \$164 million in fiscal 1991, and are expected to double by the mid-1990's . . .

Other important U.S. condiment export markets showing strong growth are Japan, Hong Kong, and Korea, with \$31 million in combined sales in 1991, up from \$18 million in 1988. The remaining big markets are Mexico, at \$12 million (up from \$3 million) and Saudi Arabia, at \$11 million (up from \$5.5 million). Tomato ketchup is the most popular U.S. condiment in East Asia with \$9 million in 1991 sales, while mayonnaise is the biggest seller in both Mexico (\$6 million) and Saudi Arabia (\$2 million).

While world market share data for condiments are unavailable, the share claimed by U.S. shippers appears to be growing, according to industry officials. In Canada, condiment buyers for supermarket chains have gradually become aware of the cost advantage in sourcing out of the United States, particularly for tomato sauce. The advantage is due partially to a tariff reduction through the U.S.-Canadian Free Trade Agreement (to 9% for most condiments, down 1.5 percent per year since January, 1989), as well as a price-competitive U.S. food processing sector. In the case of tomato sauce, U.S. suppliers have gained at the expense of those from Brazil, Portugal, and Spain who still face the 15 percent tariff in Canada, as well as higher shipping costs.

U.S. condiment shippers to Canada also seem to be taking advantage of strong cultural links between the two countries. For instance, a fitness boom that began in the United States has now drifted across Canada, driving up the demand for low-calorie salads, and hence, salad dressing. Having successfully developed products to meet demand here, U.S. salad dressing shippers were well placed to service the Canadian demand. According to a major importer of U.S. condiments located in British Columbia, U.S. shippers now control roughly 90 percent of the Canadian salad dressing market, a position built up from almost nil just 4 years ago.

U.S. shippers of prepared mustard have also met a growing demand for their products in Canada, helped largely by first servicing similar mustard tastes in the home market. Like U.S. consumers, Canadians enjoy a wide variety of mustards. One mustard exporter from the Pacific Northwest is successfully marketing 15 varieties in Canada. By contrast, mustards from France, which are the main competition for U.S. shippers in Canada, are mostly dijon and command a smaller share of the total Canadian mustard market.

Canada Increases Its Lead As Top U.S. Condiment Export Market

Country	1986	1987	1988	1989	1990	1991
(\$Thousands)						
Canada	4,815	6,281	5,589	13,312	32,898	61,134
EC-12	4,244	4,883	8,662	14,451	23,354	16,371
Japan	6,155	7,331	9,886	12,761	12,622	14,794
Mexico	2,568	2,239	2,935	7,967	9,528	11,985
Saudi Arabia	5,848	6,962	5,560	4,989	11,538	10,865
Others	19,185	25,180	34,013	39,991	44,295	49,167
TOTAL	42,815	52,876	66,645	93,471	134,235	164,316

...Condiments

Condiment sales increases in Canada can also be attributed to success in the Canadian food service sector, particularly for U.S. mustard shippers. Restaurant sales, while moving large volumes of product, also serve as an important vehicle for new product introduction. Restaurant customers, having enjoyed the condiment while eating out, will often look for the product for home use, thus boosting retail sales.

The food service sector is even more important for U.S. condiment shippers in East Asian markets, where rising incomes are financing a growing desire for meal consumption away from home. Within Asia, food service demand is greatest in Japan, where expenditures for food eaten away from home as a share of total food costs have risen steadily to roughly 16 percent, almost double the share in 1970. Another high-growth area for food service in East Asia is the Guangdong province in Southern China where a boom in fast-food outlets is boosting U.S. condiment sales in Hong Kong, whose importers re-export to the People's Republic of China.

Japan is currently the largest U.S. condiment market within East Asia, accounting for almost \$15 million in sales in 1991. Japan is also the larg-

est market in the world for U.S. ketchup (\$4.6 million) and the second largest for U.S. tomato sauce (\$3.2 million). An FAS analysis of future growth in U.S. condiment markets, based mainly on past imports and future projected GDP growth, estimates that Japan should grow more in real terms than any other market.

California tomato product shippers say that success in Japan has been helped by Japanese tomato growers shifting to other products. They expect future growth to be even better but not without a lot of hard selling. One shipper remarked that Japanese buyers are extraordinarily tough and "will tell you a hundred reasons for not liking your products and then turn around and give you a huge order." Government policy regulating food ingredients in Japan is another hurdle, according to several of the shippers. The policy, for instance, bans additives such as polysorbates, which are common in the United States.

U.S. mayonnaise shippers have also experienced recent success selling to Japan, with a record \$1.7 million in sales in 1991, up from less than \$1 million in the previous year. Unlike other U.S. condiments sold in Japan, mayonnaise is sold mainly through

specialty stores. U.S. mayonnaise is often cheaper than the competition in the Japanese market, but according to one mayonnaise exporter, the key to success in Japan is providing a product that meets the Japanese tastes and is packaged the way they want it.

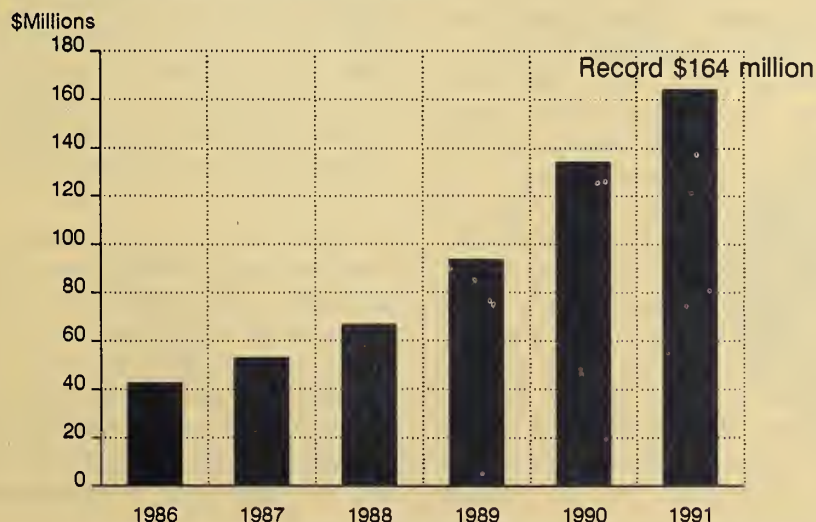
The other top markets for U.S. condiments, Mexico and Saudi Arabia, are also important high-growth markets for mayonnaise. The share of total U.S. mayonnaise exports shipped to the two countries rose from 28 to 42 percent since 1988. In Mexico, where mayonnaise sales have increased fourfold since 1988, light and cholesterol-free mayonnaise have become big sellers. Mayonnaise exporters report that while there is no widespread fitness boom in Mexico, there is a growing recognition of how diet affects health. Sales in Mexico are also assisted by a positive market image for products made in the United States, which is particularly strong in border cities that pick up U.S. advertising.

U.S. mayonnaise sales gains in Saudi Arabia can be attributed mostly to a weakened dollar against European currencies, which cut the cost of U.S. mayonnaise relative to competing products from Europe in the Saudi market. Having established a significant position in the market, U.S. mayonnaise exporters are confident about future growth in Saudi Arabia as their products continue to gain a reputation for having more consistent quality than the competition.

With growing westernized tastes for consumer-ready foods throughout most of the developed economies expected to continue, U.S. condiment exporters are confident about the future. While remaining a small percentage of total processed food exports, shipments of U.S. condiments will continue to grow as consumers in these economies seek to add additional flavor to these new foods.

For more information, contact Mike Woolsey, (202) 720-2841

Pass the Mayo:
U.S. Condiment Exports Up Sharply



Asia's 4 Tigers Thriving Market for U.S. Food Exports

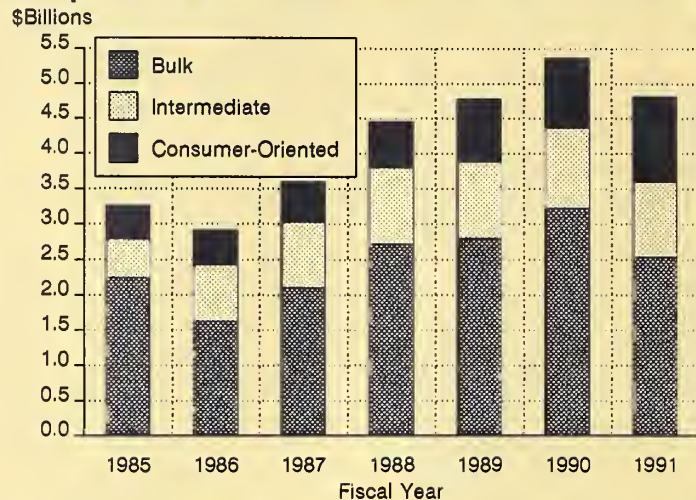
Feeding tigers is usually considered dangerous, but U.S. exporters are taking their chances in East Asia. Over the last decade, Hong Kong, South Korea, Singapore, and Taiwan--better known as the "Four Tigers"--have developed a healthy appetite for U.S. agricultural products.

Supported by some of the fastest growing economies in the world, agricultural imports by these four markets combined were estimated at \$21.7 billion in 1990. The United States supplied nearly one-fourth of this total, and with the close of fiscal 1991, the tigers now purchase an impressive 13 percent, or \$4.8 billion, of all U.S. food exports. If FAS' prediction is on target and present trends continue, these four Asian markets could collectively surpass the EC as a U.S. agricultural export market by the end of this century.

These food markets are expected to continue to expand into the 1990's while sales to the EC are likely to show little growth. Although the population of the EC is nearly 5 times the size of the Tigers' 71.8 million, U.S. agricultural exports to South Korea alone are greater than those to any single EC member country. In addition, Singapore and Hong Kong are hardly more than nation-cities, between 3 and 6 times the size of Washington, D.C., yet they purchase over 2 percent of the U.S. farm export total.

As Asia's first generation of emerging economies to follow in Japan's footsteps, rapid industrialization during the 1980s has led to increased export capacity. Today, these countries enjoy a competitive edge over their western trading partners in the areas of manufactured consumer goods and electronics. Their recent rise in earnings has been coupled with declining infant mortality rates, increasing numbers of households, and rising standards of living.

Rising Consumer-Oriented Sales to the Tigers Help to Cushion Slowdown in Bulk Products



Both Hong Kong and Singapore now enjoy a per capita income of about \$12,000. Taiwan's new 6-year Economic Development Plan forecasts its per capita GNP to rise to almost \$14,000 by 1996. These levels match or exceed those of several developed nations, such as the United Kingdom and Australia, and imply that consumers have more disposable income to spend on food items, especially high-value products. As a result, a shift in traditional diets has taken place, moving from a reliance on food grains toward greater consumption of red meat, fish, poultry, dairy products, fruits, and vegetables.

While lower U.S. bulk agricultural sales have tempered overall export growth to this region, the recent boom in consumer-oriented high-value exports shows considerable strength. In fact, these four Asian markets now account for roughly 11 percent of all U.S. consumer-ready exports to the world, nearly a two-fold increase in just 3 years. A record \$1.2 billion in consumer-oriented sales was the result of rapid growth in nearly every category, from pet foods to breakfast cereals. These trends not only mirror the U.S. experience in the Japanese

market during the seventies and eighties, but fortunately for the United States, also serve as a reminder of the dependence these countries face on outside food sources.

Hong Kong

Hong Kong relies on imports for the vast majority of its food needs. Only about 2 percent of the labor force is involved in agriculture, which contributes less than 1 percent to the gross national product. Despite a population of only 6.2 million, of which 97 percent are ethnic Chinese, the island country is the largest per capita consumer of U.S. foods in Asia. In 1991, U.S. agricultural exports to Hong Kong hit an all-time high of \$744 million, firmly placing the United States as Hong Kong's second largest agricultural supplier behind China.

Purchases of U.S. high-value food products have seen an upswing in the Hong Kong market, having increased at an average annual rate of 10 percent over the last 6 years. At present, \$488 million, or nearly 40 percent, of U.S. consumer-oriented shipments to the Four Tigers are sent to Hong Kong. While competi-

...The 4 Tigers

tion from Australian, Japanese, and Thai exporters is intense, U.S. producers have withstood the challenge and firmly positioned themselves on the basis of quality, service, and price. This is especially true in the areas of poultry meat, table eggs, and oranges. Sales of other fresh and processed fruit and vegetables are also doing well.

The Hong Kong market has led the way for sales of U.S. beers, pet foods, tree nuts, snack foods, and breakfast cereals to the Four Tigers. Aggressive marketing strategies have taken advantage of Hong Kong's younger population, high culinary standards, and the fact that English is an official language of the territory. Tourism supplies an additional 4 million food consumers a year, and rapidly changing lifestyles in Hong Kong have reflected a need for convenient, consumer-ready foods.

In fact, one-third of all Hong Kong households own a microwave oven, and western-style supermarkets and fast-food outlets are quickly replacing the traditional small grocery stores to promote convenience and selection. Many U.S. fast-food chains, such as McDonald's and Kentucky Fried Chicken, have been extremely successful throughout the Pacific Rim.

Asian consumers, as a whole, are among the most quality- and brand-conscious in the world and Hong Kongers are no exception. Product freshness and appearance, as well as state-of-the-art packaging, are crucial selling points in this region. For example, even slightly blemished fruit, non-uniform in color, are often rejected by Hong Kong consumers. Still, the U.S. label symbolizes glamour and style to the many wealthy urbanites who enjoy Hong Kong's virtually duty-free market. There are no import tariffs, while only minimal revenue duties are imposed on both

imported and domestic tobacco, alcoholic beverages, and soft drinks.

Hong Kong's pivotal year will be 1997, when the long-time British colony is to be transferred over to Chinese control. Although free reign and autonomy has been pledged by the Chinese government for the following 50 years to allow Hong Kong a period of adjustment, only time will reveal the outcome. Nonetheless, one obvious advantage to such an arrangement is the access Hong Kong may provide to the rapidly developing Chinese market.

South Korea

At \$2.2 billion, South Korea is now the fifth largest export market for U.S. agricultural products. With a population of 43 million people, the country boasts the largest economy in Asia, excluding Japan, China, and India. Real GDP growth during the mid-1980's averaged over 10 percent per annum, and although the economy has slowed somewhat in recent years, the remarkable growth of the last decade has propelled Korea into the center of international trading circles.

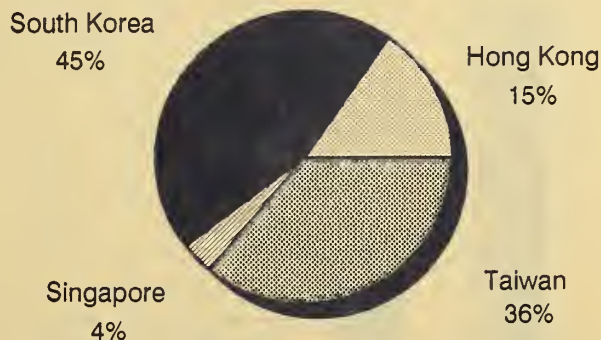
Agricultural imports from the United States are comprised mainly of bulk farm products--over \$1 billion in 1991--for Korea's export in-

dustries (leather and textiles) and animal feed uses. This figure was about one-third below its 1990 level, reflecting a sharp decrease in the demand for coarse grains, especially U.S. corn which was displaced by competitively-priced Chinese corn and feed wheat from other sources.

U.S. consumer-oriented food exports to Korea have risen more than eight-fold between 1985 and 1991, increasing at an average annual rate of 66 percent. South Korea now consumes over a quarter, or \$313 million, of total U.S. consumer-oriented exports to the Tigers. Both fresh and processed fruits and vegetables, as well as beef, tree nuts, snack foods, and pet foods have reached record levels of popularity as the South Korean market moves further into the age of nutrition and consumerism.

At \$174 million in 1991, Korea is now the United States' fourth largest red meat market in the world, second in East Asia only to Japan. Growth in the Japanese market, which accounts for over half of these exports, has flattened. However, statistics for the first 2 months of fiscal 1992 show U.S. red meat exports to Korea off to a strong start. They are 79 percent ahead of this time last year, and if this trend endures and

South Korea and Taiwan Purchase Largest Share of U.S. Food Exports to the 4 Tigers



...The 4 Tigers

beef quotas are raised, continued growth is expected.

Protectionism has long been a major issue for U.S. agricultural exporters interested in the Korean market. Although the latest sales figures are promising, the fact remains that beef imports have been only moderately liberalized in recent years. Clearly, the backlash by Korean farmers against foreign products, especially those originating in the United States, continues to play an influential role in the slow reduction of trade barriers.

The dwindling agrarian sector in Korea has flexed its political muscle to impede foreign imports. Food safety and phyto-sanitary regulations are some of the major barriers which have resulted. Outside pressure for reform by Korea's major trading partners in the Uruguay Round has swelled in response, but further import liberalization will largely depend on a reversal of the negative attitude which has permeated the population.

Economic factors promoting greater acceptance of agricultural imports include rapid income growth, improved distribution channels, and the fact that a large portion of the population is under the age of 30. Real incomes have doubled over the last 5

years, leading to a per capita income of around \$5,500 and higher living standards than Koreans have ever experienced. Along with the desire for an improved diet has come increased marketing potential for many American agricultural products including high-quality meat, fruit and vegetables, and dairy products, as well as convenience and health foods. The market also has room for more sales of frozen french fries, canned fruit, jams, orange juice, wine, and processed grocery items such as cookies, crackers, microwave popcorn, and peanut butter, to name a few.

The peninsula is unlikely to ever revert back to its isolationist past, and, in today's dynamic political climate, Korean reunification is even a prospect to consider. Although not in the immediate future, reconciliation over the longer-term between North and South could mean an additional 20 million people anxious to build a consumer economy and integrate western eating habits.

Singapore

Statistically speaking, Singapore is the smallest Tiger. Limited land resources--less than 3 percent is considered arable--have resulted in 98 percent of the country's agricultural

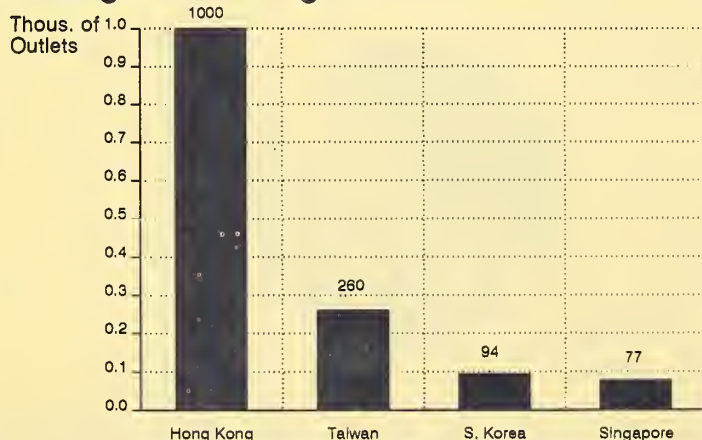
products being imported. In 1990, the American share of Singapore's agricultural market was around 8 percent. However, U.S. exports surged to their highest level of \$177 million in 1991, and U.S. market share is expected to have benefited.

Singapore is one of a group of 55 islands comprising the Republic of Singapore and its 2.7 million people. Surprisingly, this 230-square mile island (95 percent of the Republic's total land area) is the world's busiest port in terms of arrivals and departures. What Singapore lacks in size, it makes up for in location.

Lying at the southern-most tip of the Malaysian Peninsula, Singapore is strategically positioned at the center of regional and international air- and sea-lanes. In fact, the island nation is famous for entrepot activity throughout Southeast Asia and it is estimated that a substantial portion of U.S. exports are transshipped to neighboring countries. Therefore, much of Singapore's global trade is often reflected more by demand in the Malaysian and Indonesian markets than by Singapore's small domestic market, but re-exports are difficult to trace in origin.

With the exception of tobacco sales (a record \$17 million in 1991), bulk and intermediate exports are far outstripped by consumer-oriented high-value shipments from the United States--by a ratio of nearly 3 to 1. U.S. consumer-oriented exports have grown at an average annual rate of 7 percent since 1985 to reach their record level last year of \$131 million. A record \$24 million in processed U.S. fruits and vegetables were sold to Singapore in 1991. Although fresh fruit sales declined somewhat to \$21 million, fresh vegetables, dairy products, and red meats experienced strong growth. Importers seem to be sticking by these U.S. products for their reputation of quality.

An Explosion of Fast-Food Outlets Has Spread Throughout the Region



...The 4 Tigers

The Singapore dollar has complemented Singapore's growing economy, as a strong exchange rate has held down inflationary pressures and promoted import growth. With a hotel and restaurant industry very similar to that of Hong Kong, the island's "floating" population of 5 million tourists has further bolstered U.S. exports. With relatively few trade restrictions, Singapore's open economy should continue to be a window of opportunity for U.S. products and a gateway into other rapidly growing ASEAN markets such as Malaysia and Indonesia.

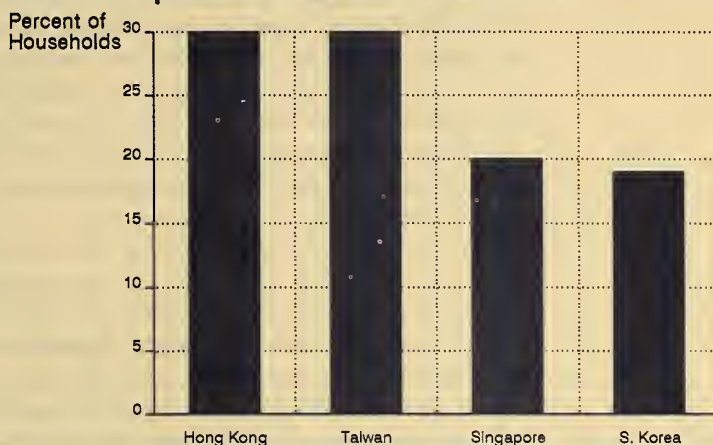
Taiwan

Taiwan is the 6th largest importer of U.S. food products. In fiscal 1990, U.S. agricultural exports to Taiwan hit an all-time high of \$1.8 billion, giving the United States a 40-percent share of Taiwan's total import market. Although growth receded slightly this year to \$1.7 billion--due to lower wheat, soybean, feed grain, and tobacco sales--future export expansion seems assured, both in terms of total value and market share.

The United States currently supplies well over half of the bulk commodities imported by Taiwan. Distant competitors include Australia and Pakistan, each holding less than a 4-percent market share. Coarse grains and soybeans have fueled livestock industry growth in the Taiwan economy, while cotton gains are due to greater textile industry demand. Vegetable oils, planting seeds, feeds and fodders, and sweeteners and beverage bases posted large gains in the intermediate category. In terms of size, bulk commodities lead U.S. exports to Taiwan, but consumer-oriented products are rising.

Over the last 6 years, U.S. consumer-oriented exports have more than tripled to this market, reaching a record high in fiscal 1991 of \$269 million. Fresh fruit, fresh vegetables,

Microwave Oven Ownership is Becoming Commonplace for Asian Consumers



processed fruit and vegetables, dairy products, snack foods, and pet foods all reached all-time highs this year. Despite some slack this past year, Taiwan continues to be a major importer of U.S. apples (\$32 million), soybeans (\$413 million), coarse grains (\$591 million), hides and skins (\$128 million), and wheat (\$98 million). Convenience and processed foods (fruit juices, wine, beef, turkey meat, processed meat, cheese, ice cream, and snack foods) should see continued growth in the near-term, particularly as U.S. food manufacturers further introduce diverse packaging such as boil-in-bags, ready-to-cook foods, and vacuum-packed and easy-open cans to this and other Asian markets.

Agriculture is the most closely protected industry in Taiwan and despite a series of trade negotiations, high agricultural tariffs continue to be the greatest obstacle to U.S. agricultural exports--particularly for value-added products. An optimistic forecast for liberalization shows export growth doubling by the end of this century. Thus, Taiwan import liberalization could lead to \$1 billion worth of additional U.S. agricultural exports a year as less protectionism leads to lower food prices. Taiwan consumers would also enjoy greater

purchasing power and variety at the supermarket. In conjunction with structural reform policies now taking shape in the Taiwan agricultural sector, tariff levels should be liberalized, particularly on products for which Taiwan is not an efficient producer or manufacturer. As Taiwan moves closer to formal GATT membership, tariff levels are likely to conform to some degree.

In the meantime, FAS believes Hong Kong, South Korea, Singapore, and Taiwan, are a sound investment for U.S. exporters' market development efforts. There is no doubt the United States has room to expand in all agricultural export categories and tremendous opportunities exist for East Asian importers of these products as well as for U.S. suppliers. In fact, FAS analysis indicates that each of these four markets are among the United States' 10 best market prospects over the next 5 years. If import liberalization initiatives are coupled with closer coordination of marketing and promotion activities between buyers and sellers, Asia's Four Tigers should continue to be a feeding ground for U.S. agricultural exporters.

For more information, contact Karen Halliburton, (202) 720-1299

Trade Policy Updates

Uruguay Round Agriculture Negotiations

On December 20, GATT Director-General Arthur Dunkel released a draft agreement covering all of the negotiating areas of the Uruguay Round. This document is the focus of the current negotiations. While this paper is not a final document, it is the Director-General's attempt to strike a compromise across all of the negotiating groups. There are some pluses and minuses for all participants in all of the negotiating areas. This comprehensive document includes a draft text on agriculture. In several areas, including agriculture, no consensus was achieved among the participants and Mr. Dunkel determined to propose his own solutions. Therefore, the draft represents his attempt to resolve many contentious issues. Negotiations on the draft text resumed in Geneva the week of January 13.

Taiwan: 1991 Tariff Reduction Bill

Taiwan's 1991 tariff reduction bill became effective Jan. 1, 1992, following approximately 18 months of delay within the Taiwan Legislative Yuan. The bill covers 1,965 import items, of which only 330 (59 agricultural and 271 industrial goods) were on the U.S. tariff reduction request list of 1,020 items dating back to December 1989. According to the Customs Department of the Ministry of Finance, the bill reduced the overall average nominal tariff rate from the original estimate of 8.92 percent to 8.89 percent. The average nominal rate for agricultural products of 21.63 percent, however, is slightly higher than the original target of 21.55 percent. The new tariffs on the 59 agricultural products contained in the U.S. request list continue in the range of 15-40 percent, contrasting with rates for most industrial products in the U.S. request of below 15 percent.

Mexico Agrees to Reopen Border to U.S. Swine

United States and Mexican officials met in Miami, Florida on January 14 to discuss U.S. exports of swine to Mexico and the presence of swine mystery disease or swine infertility and respiratory syndrome (SIRS). The Mexicans agreed to reopen the border to swine in mid-January. The United States and Mexico will now study the SIRS issue, pending Mexico issuing permanent import regulations on April 1, 1992. On Dec. 9, 1991, Mexico had announced that imports of breeding and slaughter swine from countries "infected" with SIRS (including the United States and Canada) would be suspended beginning December 15.

USTR to Stress Agricultural Import Liberalization With Egypt

As the Government of Egypt (GOE) prepares to review its import prohibition list, USTR has requested that agricultural items of interest to the United States be removed from the banned list. The four product groups are poultry, refined oils, edible fruits, and rapeseed. Prior to the introduction of import bans on these items, U.S. poultry exports were valued at \$23 million and forecasts suggest that U.S. fruit exports could exceed \$4 million if that import ban were lifted. In calendar year 1990, U.S. agricultural exports to Egypt exceeded \$687 million. The GOE will announce reductions in the list in February.

Restrictions on Canadian Potato Shipments to the United States Expanded

APHIS published an emergency interim rule January 6 in the Federal Register which has expanded the current restrictions on U.S. imports of potatoes, both seed and table stock. This action was taken because of increased findings of the PVY-n potato virus (which affects tomatoes, peppers, and tobacco) by Agriculture Canada in Prince Edward Island (PEI), Ontario, Quebec, Nova Scotia, and New Brunswick. The increase in coverage includes prohibiting all seed stock from PEI and Ontario, increased phytosanitary certification for both seed and table stock, and restricting shipments of table stock that do not meet the certification requirements to the August 15 to March 15 time period, when Canadian potatoes are less likely to be planted or to sprout. Meanwhile, Agriculture Canada has found PVY-n in a shipment of potatoes originating in California, the second time since September that the virus has been found in U.S. potatoes. Agriculture Canada may decide to impose additional phytosanitary restrictions on U.S. potatoes based on the latest finding.

...Trade Policy Updates

Periodic Review for Hungary Scheduled

The initial periodic review for Hungary under the President's Trade Enhancement Initiative (TEI) has been scheduled for Jan. 24, 1992. This review of the overall pattern of agricultural exports for both the United States and Hungary aims at providing a forum to discuss specific trade issues, including the Export Enhancement Program. The Hungarian officials involved represent both the Ministry of Economics and the Ministry of Agriculture.

U.S. Submission to Reconvened Panel on Oilseeds

The United States is scheduled to make its first written submission to the GATT panel on oilseeds on January 23. The newly reconvened panel will meet for the first time on February 3 and is expected to deliver its findings in early March. The U.S. Government believes the EC oilseed reform does not adequately address the original 1989 GATT Panel findings.

Japanese Officials Feel Increasingly Isolated on Tariffication Position

According to Japanese press reports, officials of the Government of Japan (GOJ) in Tokyo and Geneva are finding it increasingly difficult to resist acceptance of the Dunkel text. Unidentified GOJ sources told the Daily Yomiuri that Japan fears it will be isolated in the GATT talks if it continues to reject Dunkel's tariffication plan. There is growing evidence that Japan will eventually accept tariffication of the rice ban if a very slow decline (15 percent over 6 years) in the succeeding duty rate (about 700 percent) can be negotiated.

Three recent Japanese news polls showed 59, 65, and 71 percent support for at least partial liberalization of rice imports. But in all three polls, only 15-20 percent of respondents favored tariffication of the import ban. Opposition to any rice imports ranged from 22-32 percent.

Materials Available

- U.S.-Canadian Free Trade Pact and What it Means to U.S. Agriculture (Revised December 1991)
- The Attache Educational Program (December 1991)
- U.S. Agricultural Exports (December 1991)
- Export Enhancement Program (Revised November 1991)
- Agricultural Trade Policy and Trade for Central and Eastern Europe (Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Romania, and Yugoslavia)--Revised December 1991
- How to Get Help With Exporting U.S. Agricultural Products to the (Former) Soviet Union (November 1991)
- USDA's Export Assistance Efforts: Concessional (Aid) and Commercial Programs (November 1991)
- Trade Policies and Market Opportunities for U.S. Farm Exports: 1990 Annual Report (August 1991)
- Helping Small and Disadvantaged Businesses Export Food and Agricultural Products (August 1991)
- U.S. Legislation to Counter Unfair Foreign Trade Practices (Revised May 1991)

The Trade Policy Updates are prepared monthly by the Trade Assistance and Planning Office, Foreign Agricultural Service, U.S. Department of Agriculture. Interested U.S. parties may send requests for copies of materials listed above to the *Trade Assistance and Planning Office, 3101 Park Center Drive, Suite 1103, Alexandria, VA 22302. Tel: (703) 305-2771, FAX: (703) 305-2788.*

Market Updates

Korea Plans an Increase in Imported Beef

Korea plans to increase imported beef to 122,000 tons for 1991, approximately 7,000 tons more than the 115,000 tons programmed in May for the market year. The quantity is nearly twice as large as the 1991 import quota of 62,000 tons set in the beef talks held with the United States in 1989. This is the second year Korea has imported more than the stated quota.

The Ministry of Agriculture, Forestry, and Fisheries has said that the rapid increase in demand for imported beef has caused an increase over the year's targeted allocation. The Ministry has also been expediting the import of approximately 4,000 tons from next year's program ahead of schedule. Korean cattle farmers are opposing the increases in imported beef, stating that the government's action has brought their cattle-raising industry to the brink of collapse.

CCC Updates FY 92 Program Announcements to Permit Sales to Successors of the former Soviet Union

On Dec. 27, 1991, the CCC announced that the balances in credit guarantee availability remaining under FY 1992 GSM-102 allocations-- previously announced as available in connection with sales of U.S. agricultural commodities to the former Soviet Union--are now available for sales to any of the following destinations--Russia, Belarus, Kazakhstan, Moldova, Uzbekistan, Turkmenistan, Ukraine, Armenia, Kyrgyzstan, Azerbaijan, Tajikistan, and Georgia.

Also, on December 27, five former Soviet Union EEP invitations were reissued to reflect each of the above Republic's eligibility under the programs. In addition, the wheat and vegetable oil invitations were opened to any eligible buyer in those countries. Previously only Exportkhleb could buy wheat and only Prodintorg could buy vegetable oil. The other three commodity invitations, rice, wheat flour, and barley are also open to any eligible buyer in those countries.

Low-Priced EC Wheat Expected to Go to Morocco

Although reported or nominal values for EC wheat have remained strong over the past month, it is evident from a recent large Moroccan wheat purchase that real EC export prices are below reported values. On January 7, Morocco bought 300,000 tons of optional-origin wheat at very low prices, most of which is expected to come from the EC.

Malaysia Implements Tobacco Import Quota for 1992

In an effort to force domestic cigarette manufacturers to utilize more domestically-grown tobacco, Malaysia recently imposed a quota restricting unmanufactured tobacco imports to 1.5 million kilograms in 1992. This compares with imports of approximately 3.4 million kilograms annually in both 1990 and 1991. In recent years, the United States accounted for over 75 percent of tobacco imports or approximately 2.6 million kilograms annually. The new import quota will likely force local cigarette manufactures to reduce imports of U.S. flue-cured tobacco by at least 1.1 million kilograms or US\$8 million in 1992.

Poland Requests Increased Cheese Import Quotas

Poland has requested increased U.S. cheese import quotas under the Trade Enhancement Initiative announced by President Bush in July 1991, which included the intention by the United States to consider increases in cheese import quotas. Poland has proposed increases of cheese quotas as follows: an additional 1,000 tons for "other types," an additional 500 tons for "other cheeses - low fat," a new quota of 1,000 tons of cheddar, and a new quota of 1,000 tons of edam and gouda. Rationales by the GOP for this request are to help Poland increase its share of the U.S. cheese market, which is still low, and to create investment opportunities for U.S. firms by entering into joint ventures with cheese producers in Poland to modernize cheese making equipment. When Poland increases its sales of cheese in the United States, and consequently increases profit, U.S. firms will be encouraged to invest in Poland and to contribute significantly to further development of trade between the two countries.

...Market Updates

China Threatens the United States with Retaliatory Duties-- Could Hurt U.S. Cotton Exports

China is threatening to impose punitive tariffs on about 25 percent of the items it imports from the United States if the United States makes good on its threat of increases in tariffs under Section 301 of U.S. trade law. The United States claims that U.S. manufacturers have lost \$430 million due to Chinese theft of intellectual property rights, including piracy of computer programs and pharmaceutical patents.

USTR is expected to announce the decision on U.S. retaliation against Chinese products in the IPR investigation on January 16. Negotiations resumed in Washington on Friday, January 10. The two sides are still far apart on certain trademark and copyright issues. Public hearings were held January 6 and 7, and many of the U.S. companies potentially affected argued that retaliation against the products they import from China would hurt the U.S. economy more than it would hurt China. Cotton would be one of the commodities China is considering counter-retaliatory duties on. In MY 90/91, China imported 2.2 million bales, 56 percent of which was of U.S. origin.

Indonesia Struggling to Eradicate Pathogenic Disease of Poultry

The Government of Indonesia has announced an integrated approach to the eradication of Gumboro (Infectious Bursal Disease), a pathogenic disease that destroys the immune system in poultry. Gumboro has already killed approximately 5 percent of the Indonesian poultry flock. The outbreak of the disease may have serious consequences for the newly-liberalized poultry industry of Indonesia. Expansion in the sector has been dramatic in the last few years, with growth rates exceeding 20 percent for broilers and 7-8 percent for layers. U.S. exports of breeding stock nearly tripled between 1986 and 1990, though 1991 export figures reflect a slight decline in this trend. Prompt eradication of Gumboro could lead to an increase in U.S. exports of baby chicks to Indonesia to help rebuild the breeder population. A failure of the eradication effort could be a setback to Indonesia's poultry exports to Pacific Rim countries that the liberalization program was, in part, designed to encourage.

Imports of U.S. Beef Jerky Into Japan May be Allowed Through Third Countries

The Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) announced that two ministerial ordinances were published which would permit the import of U.S. beef jerky through an additional 26 countries and allow the import of Argentine beef jerky through the United States into Japan. In order to implement the ordinances, MAFF must complete technical protocols specifying the conditions the product must meet in order to be imported into Japan. MAFF hopes to finalize protocols by late January or early February.

EC Extends Derogation for Imports of U.S. Coniferous Wood

The EC Commission has approved a 12-month extension of the current Community derogation for imports of U.S. coniferous sawnwood. A good portion of the nearly \$300 million in U.S. exports of coniferous lumber to the EC will benefit from this action. The derogation, which was due to expire Dec. 31, 1991, provides for a mill certification system as an interim measure to prevent introduction of the pinewood nematode. The derogation is temporary, pending the development of economical phytosanitary measures. FAS' EC posts played a key role in gaining Member State support for this extension.

India a Possible Wheat Importer

Despite a bumper 1991 wheat harvest and export estimates of 800,000 tons, India has reportedly approved the importation of 1 million tons of wheat over the next year to stabilize prices and replenish stocks. Government stocks are expected to fall to about 2 million tons by April (lowest in a decade), and with 9 to 12 million tons necessary for the state's distribution system, import demand will depend upon procurement from the 1992 harvest. India last imported significant quantities (2.1 million tons) of wheat in 1988/89, mostly from the United States.

...Market Updates

Russia Barter Gas and Oil for Grain

Russia reportedly concluded a barter deal with grain traders for at least 1.5 million tons of wheat in exchange for Russian gas and oil products. It is also likely that some feedgrains and protein meal (from .5 to 1 million tons) were included in the barter arrangement. The grain will be shipped by April while the gas and oil will be delivered over a longer time period. This is the first major grain deal Russia has conducted on its own, and as a barter arrangement, highlights not only the financial difficulties the former Soviet republics have, but also their immediate need for food.

Indonesia Enforces "Zero Tolerance" for Salmonella in Poultry Meat Imports

Beginning in November 1991, the Government of Indonesia (GOI) has been strictly enforcing a regulation requiring "zero tolerance" levels of salmonella bacteria in imported poultry meat products. Some level of salmonella bacteria is present in virtually all raw poultry meat, so this action could effectively eliminate all raw poultry imports. Since GOI began enforcing the more stringent controls on salmonella bacteria concentrations, U.S. exports of poultry meat to Indonesia have been severely reduced. This comes in the context of steadily increasing U.S. exports of poultry meat to Indonesia since June 1991, when GOI deregulated its import regime on poultry products. While still small, U.S. exports of poultry meat totaled \$192,791 from July through October, 1991. It is anticipated that FSIS and FAS will attempt to work with GOI to facilitate imports while maintaining food safety standards in Indonesia.

Libya Lifts Ban on Irish Beef

The Irish Ministry of Agriculture recently announced the resumption of beef exports to Libya. This follows the recently announced resumption of beef exports to Iran. However, unlike Irish beef exports to Iran, Ireland's exports to Libya are mainly live cattle with only a negligible amount of beef shipped to Libya. The ban on live cattle exports to Libya will remain in effect. Over 43,000 head of cattle, worth \$33 million, were shipped to Libya in 1990 before the introduction of the import ban. Irish beef and cattle exports were discontinued in 1990 due to fears about the cattle disease Bovine Spongiform Encephalopathy (BSE). An official trade delegation will visit Libya shortly to discuss issues surrounding the resumption of live cattle exports. As with the Iranian action, these initiatives come at an opportune time for the depressed Irish beef market.

Technical Assistance Activities in the Commonwealth of Independent States (CIS)

St. Petersburg Model Farm

The USDA Extension delegation, led by Associate Administrator Mitch Geasler, will spend Jan. 23-28, 1992, in St. Petersburg to meet with local public and private sector officials and to evaluate a suitable farm site in order to finalize the proposal initiated by St. Petersburg's Mayor Sobchak. The model farm system will be fully integrated, including production, processing, distribution, and marketing and could potentially involve 30 to 50 cooperating farms in an area near St. Petersburg. Phase 1 will begin in the summer of 1992.

Wholesale Market Team to Moscow and Kiev

An Agricultural Marketing Service team, consisting of six experts (three private sector and three public sector), will spend Feb. 15-28, 1992, in Moscow and Kiev. The team will help the municipalities work from existing rudimentary private markets to develop the infrastructure necessary for efficient wholesale markets and the discovery of market-supported prices.

Extension Team to Armenia

The USDA Extension delegation, led by Deputy Administrator Richard Rankin, spend Jan. 13, 1992 through Jan. 21, 1992, in Armenia to develop an agricultural extension program to facilitate the transition to a market economy. If agreement is reached by the team, project implementation would begin in the spring or summer of 1992.

...Market Updates

Commonwealth of Independent States (CIS) Summit Agenda Update

On Dec. 30, 1991, TASS reported that the 5th item on the CIS summit agenda, the item pertaining to food assistance, was listed as "On an agreement on the 1992 distribution of food purchased on credits granted by foreign countries." However, subsequent reporting indicated no agreement was reached and the discussion of this item was postponed to the next summit scheduled for Jan. 10, 1992.

Italy Briefly Allows Access for U.S. Apples

On December 28, the Italian Ministry of Agriculture published a derogation to the Italian phytosanitary regulations to allow market access to U.S. apples until Jan. 31, 1992. The USG believes the derogation is insufficient and has asked for permanent market access. The United States maintains that the Italian phytosanitary regulations restricting market access are not scientifically sound. The 10 U.S. states which have been designated as eligible to ship are California, Colorado, Idaho, Michigan, New York, Oregon, Pennsylvania, Vermont, Virginia, and Washington. Shipments must be accompanied by a phytosanitary certificate and entry will be limited to eight Italian ports (Geona, Imperia, Livorno, Naples, Ravenna, Salerno, Savona, and Trieste).

USDA Extends GSM Credit Guarantees to Sri Lanka and Yemen for FY 1992

On January 7, USDA authorized GSM-102 and GSM-103 credit guarantee programs to Sri Lanka for FY 1992. Each program offers credit guarantees for the sales of U.S. wheat and wheat flour, \$25 million under the GSM-102 program and \$25 million under the GSM-103 program.

Also on January 7, USDA authorized \$30 million in credit guarantees for sales of wheat and wheat flour to Yemen under the GSM-102 program.

CCC Extends GSM-102 Credit Guarantees to Guatemala and to Trinidad and Tobago for FY 1992

CCC has authorized \$30 million in credit guarantees for sales to Guatemala and \$45 million in guarantees for sales to Trinidad and Tobago for fiscal year 1992.

P.L. 480 Title I Agreement Signed with Guyana

A P.L. 480 Title I sales agreement with Guyana was signed Dec. 19, 1991 and counter-signed for the Commodity Credit Corporation to provide for the sale of \$5 million worth of U.S. wheat. Purchase authorizations will be announced and sales will be made by private U.S. traders on a competitive bid basis.

FY 92 P.L. 480 Title I Agreement Signed With Egypt

On January 5, Egypt signed a P.L. 480 Title I sales agreement which will provide for the sale of \$107.5 million worth of U.S. wheat and \$42.5 million worth of U.S. wheat flour for a total of \$150 million. After the agreement is counter-signed for Commodity Credit Corporation, purchase authorizations will be announced and sales will be made by private U.S. traders on a competitive bid basis.

Section 416(B)

Freight offers were received January 2 for 100,000 tons of corn to Estonia. This is the first section 416(b) freight procurement to be held under USDA oversight.

Freight offers were received January 7 for 33,500 tons of corn to Lithuania. The corn will be shipped on a U.S. flag vessel, expected to begin loading at U.S. ports shortly after January 20.

Freight offers were received January 14 for 40,000 tons of corn donated to Lithuania. The corn will be shipped on a U.S. flag vessel, expected to begin loading at U.S. ports at the end of January.

...Market Updates

P.L. 480 Title I Purchase Authorizations Issued and Sales Registered

Cumulative sales through Jan. 16, 1992. Fiscal year 1992 P.L. 480 Title I sales registered to date total \$17 million (100,000 tons). Jamaica, the only purchaser to date, has bought 32,000 tons of wheat, 46,000 tons of yellow corn, and 22,000 tons of rice.

The Export Enhancement Program (EEP)

The total amount awarded under the EEP with the 5-percent upward tolerance is \$508,053,842.51.

December 20. USDA accepted bids under the EEP for 20,000 tons of soft red winter wheat to Trinidad and Tobago, 48,000 tons of hard amber durum to Poland, and 25,000 tons of barley to Israel.

December 23. USDA accepted a bid for 1,000 tons of medium grain milled rice to Czechoslovakia, and 50,000 tons of hard red winter wheat to Sri Lanka.

December 24. USDA accepted bids for 11,408 tons of hard red winter wheat to Zaire.

December 30. USDA accepted bids for 368,180 tons of wheat to Egypt, including 318,180 tons of hard red winter and 50,000 tons of soft white.

December 31. USDA accepted a bid for 754,500 dozen large brown table eggs to Hong Kong.

January 10. USDA accepted bids for 249,800 tons of wheat to Algeria, including 150,000 hard amber durum and 99,800 hard red winter.

January 15. USDA accepted bids for 49,600 tons of barley to Jordan, 26,400 dozen medium brown table eggs to the United Arab Emirates, 24,000 tons of soybean oil to Algeria, and 3,000 tons of soybean oil to Turkey.

January 16. USDA accepted bids for 100,000 tons of soft white wheat to Egypt.

The Dairy Export Incentive Program (DEIP)

December 27. USDA accepted a bid under the DEIP for 16 tons of nonfat dry milk to Cameroon.

December 30. USDA accepted bids for 2,000 tons of cheddar cheese to Algeria.

January 6. USDA accepted bids for 2,000 tons of long grain milled rice to Czechoslovakia.

U.S. Agricultural Exports by Major Commodity Group

Monthly and Annual Performance Indicators and Fiscal 1992 Forecasts

	November			October–November			Fiscal Year		
	1990	1991		1990/91	1991/92		1991	1992(f)	
	--Bil.\$--		Change	--Bil.\$--		Change	--Bil.\$--		Change
Grains & feeds 1/	1.126	1.291	15%	2.173	2.461	13%	12.544	12.8	2%
Wheat	0.235	0.390	66%	0.503	0.761	51%	3.058	3.5	14%
Wheat flour	0.014	0.009	-38%	0.028	0.014	-49%	NA	NA	NA
Rice	0.073	0.100	36%	0.158	0.163	3%	0.752	0.8	6%
Feed grains 2/	0.529	0.498	-6%	0.911	0.963	6%	5.653	5.3	-6%
Corn	0.453	0.423	-7%	0.755	0.814	8%	4.872	4.6	-6%
Feeds & fodders	0.158	0.193	22%	0.326	0.355	9%	NA	NA	NA
Oilseeds & products	0.595	0.874	47%	0.956	1.392	46%	5.691	6.3	11%
Soybeans	0.399	0.546	37%	0.592	0.855	44%	3.464	3.9	13%
Soybean meal	0.096	0.153	59%	0.154	0.242	58%	0.978	1.1	12%
Soybean oil	0.013	0.023	84%	0.037	0.045	23%	0.192	0.2	4%
Other vegetable oils	0.028	0.049	73%	0.062	0.068	11%	NA	NA	NA
Livestock products	0.469	0.497	6%	0.994	1.005	1%	5.545	5.4	-3%
Red meats	0.220	0.229	4%	0.424	0.468	10%	NA	NA	NA
Hides & Skins	0.134	0.089	-33%	0.256	0.195	-24%	NA	NA	NA
Poultry products	0.079	0.113	43%	0.172	0.222	29%	1.007	1.1	9%
Poultry meat	0.057	0.084	47%	0.125	0.167	33%	NA	NA	NA
Dairy products	0.023	0.044	90%	0.044	0.093	115%	0.367	0.5	36%
Horticultural products	0.537	0.617	15%	1.125	1.260	12%	6.020	6.5	8%
Unmanufactured tobacco	0.181	0.151	-16%	0.287	0.220	-24%	1.533	1.6	4%
Cotton & linters	0.271	0.205	-24%	0.409	0.295	-28%	2.619	2.5	-5%
Planting seeds	0.056	0.059	4%	0.101	0.116	14%	0.625	0.7	12%
Sugar & tropical products	0.161	0.168	5%	0.314	0.346	10%	1.582	1.7	7%
Forest Products 4/	0.532	0.541	2%	1.083	1.083	0%	NA	NA	NA
Total Ag. export value	3.497	4.020	15%	6.575	7.411	13%	37.533	39.0	4%

	--MMT--	Change		--MMT--	Change		--MMT--	Change	
Grains & feeds 1/	8.579	9.959	16%	15.982	18.696	17%	NA	NA	NA
Wheat	2.103	3.711	77%	4.375	7.059	61%	26.691	29.0	9%
Wheat flour	0.068	0.044	-36%	0.135	0.066	-51%	1.074	1.1	2%
Rice	0.263	0.329	25%	0.546	0.517	-5%	2.418	2.3	-5%
Feed grains 2/	4.991	4.498	-10%	8.493	8.666	2%	51.802	46.9	-9%
Corn	4.266	3.790	-11%	7.009	7.261	4%	44.496	40.0	-10%
Feeds & fodders	0.963	1.161	21%	2.000	1.993	-0%	11.397	11.5	1%
Oilseeds & products	2.335	3.459	48%	3.583	5.431	52%	NA	NA	NA
Soybeans	1.708	2.446	43%	2.518	3.818	52%	15.139	17.7	17%
Soybean meal	0.454	0.666	47%	0.717	1.058	48%	4.648	5.4	16%
Soybean oil	0.020	0.051	156%	0.059	0.096	63%	0.354	0.5	41%
Other vegetable oils	0.040	0.069	74%	0.089	0.094	6%	NA	NA	NA
Livestock products 3/	0.194	0.208	8%	0.354	0.433	22%	NA	NA	NA
Red meats	0.065	0.070	7%	0.124	0.145	17%	0.744	0.8	8%
Poultry products 3/	0.054	0.073	35%	0.119	0.147	23%	NA	NA	NA
Poultry meat	0.051	0.070	36%	0.114	0.140	23%	0.614	0.7	14%
Dairy products 3/	0.013	0.022	69%	0.024	0.049	107%	NA	NA	NA
Horticultural products 3/	0.489	0.514	5%	0.987	1.034	5%	5.048	5.5	9%
Unmanufactured tobacco	0.028	0.024	-15%	0.043	0.034	-20%	0.239	0.2	-16%
Cotton & linters	0.160	0.128	-20%	0.244	0.186	-24%	1.598	1.6	0%
Planting seeds	0.026	0.028	7%	0.057	0.087	54%	NA	NA	NA
Sugar & tropical products 3/	0.111	0.106	-4%	0.198	0.200	1%	NA	NA	NA
Total Ag. export volume 3/	11.99	14.52	21%	21.59	26.30	22%	129.35	130.5	1%

NA = Not available.

1/ Includes pulses, corn gluten feed, and meal.

2/ Includes corn, oats, barley, rye, and sorghum.

3/ Includes only those items measured in metric tons.

4/ Wood products are not included in agricultural product value totals.

Note--1992 forecasts are taken from "Outlook for U.S. Agricultural Exports," Dec. 3, 1991.

U.S. Agricultural Export Value by Region

Monthly and Annual Performance Indicators and Fiscal 1992 Forecasts

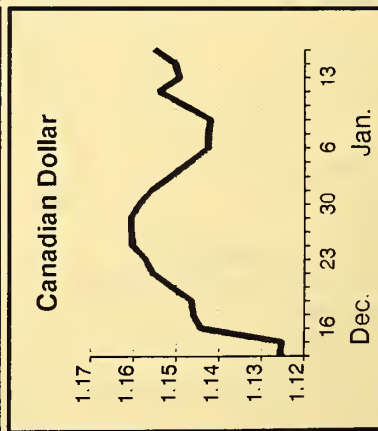
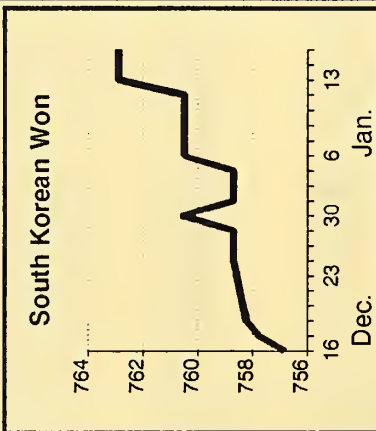
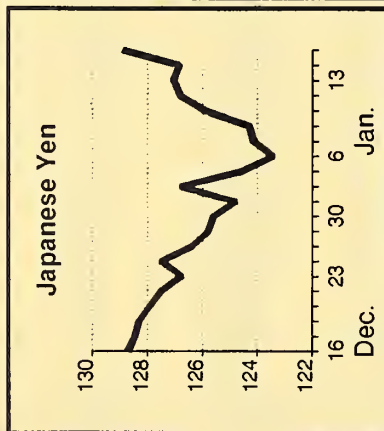
	November			October - November			Fiscal Year		
	1990	1991		1990/91	1991/92		1991	1992(f)	
	-- Bil.\$ --		Change	-- Bil.\$ --		Change	-- Bil.\$ --		Change
Western Europe	0.755	0.882	17%	1.500	1.563	4%	7.346	7.4	1%
European Community	0.709	0.830	17%	1.392	1.454	4%	6.774	6.9	2%
Other Western Europe	0.046	0.052	12%	0.108	0.109	0%	0.572	0.5	-13%
Eastern Europe	0.060	0.012	-80%	0.086	0.018	-79%	0.303	0.2	-34%
Former Soviet Union	0.074	0.385	419%	0.092	0.594	542%	1.716	1.9	11%
Asia	1.433	1.425	-1%	2.576	2.658	3%	14.647	15.5	6%
Japan	0.745	0.720	-3%	1.352	1.374	2%	7.718	8.1	5%
China	0.037	0.072	97%	0.089	0.121	35%	0.667	0.9	35%
Other East Asia	0.510	0.478	-6%	0.835	0.842	1%	4.640	4.7	1%
Taiwan	0.180	0.232	29%	0.285	0.346	21%	1.736	1.7	-2%
South Korea	0.268	0.173	-36%	0.424	0.347	-18%	2.159	2.3	7%
Hong Kong	0.061	0.073	19%	0.126	0.149	18%	0.744	0.7	-6%
Other Asia	0.141	0.155	10%	0.300	0.321	7%	1.622	1.8	11%
Pakistan	0.019	0.011	-45%	0.057	0.032	-44%	0.143	0.2	39%
Philippines	0.022	0.036	66%	0.070	0.068	-3%	0.373	0.4	7%
Middle East	0.121	0.179	48%	0.245	0.309	26%	1.330	1.7	28%
Iraq	0.000	0.000	0%	0.000	0.000	0%	0.000	0.0	0%
Saudi Arabia	0.041	0.072	77%	0.097	0.128	32%	0.481	0.6	25%
Africa	0.182	0.157	-14%	0.340	0.326	-4%	1.819	1.8	-1%
North Africa	0.148	0.094	-37%	0.263	0.219	-17%	1.325	1.3	-2%
Egypt	0.089	0.039	-56%	0.141	0.108	-24%	0.692	0.6	-13%
Algeria	0.046	0.042	-10%	0.084	0.079	-7%	0.422	0.5	18%
Sub Saharan Africa	0.034	0.062	85%	0.077	0.107	39%	0.493	0.5	1%
Latin America	0.443	0.502	13%	0.875	0.953	9%	5.474	5.5	0%
Mexico	0.208	0.198	-5%	0.425	0.431	1%	2.872	2.9	1%
Other Latin America	0.235	0.304	29%	0.450	0.522	16%	2.601	2.6	0%
Brazil	0.035	0.055	54%	0.052	0.073	40%	0.271	0.3	11%
Venezuela	0.030	0.036	21%	0.052	0.060	16%	0.307	0.4	30%
Canada	0.353	0.392	11%	0.720	0.810	12%	4.395	4.7	7%
Oceania	0.037	0.053	42%	0.075	0.108	44%	0.344	0.3	-13%
World Total	3.497	4.020	15%	6.576	7.411	13%	37.534	39.0	4%

U.S. Agricultural Imports

Monthly Performance Indicators and Fiscal Year-to-Date Comparisons

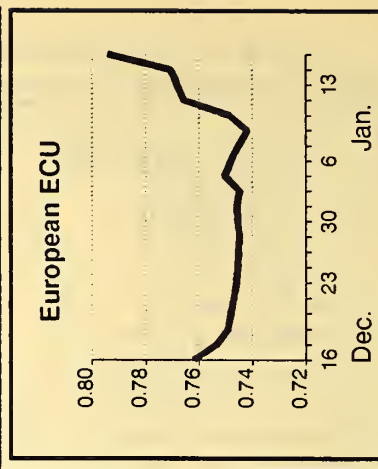
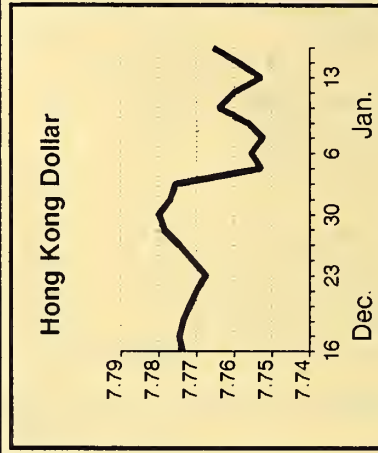
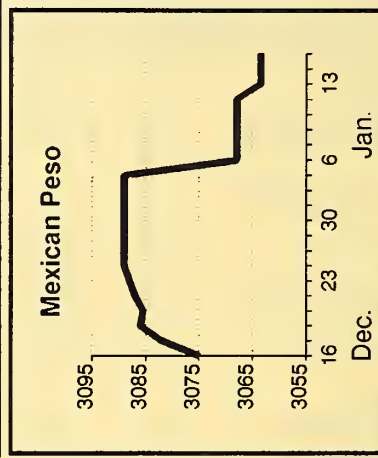
By Commodity (\$Millions)	November		%	October–November		%
	1990	1991	Change	1990/91	1991/92	Change
Fruits and vegetables	691.8	706.0	2.1%	1,376.1	1,387.0	0.8%
Bananas and plantains	71.6	79.2	10.6%	155.0	161.2	4.0%
Other fresh fruits	26.6	31.3	17.8%	57.5	68.1	18.6%
Fruit and veg. juices	61.4	92.9	51.3%	134.6	151.7	12.7%
Edible tree nuts	59.1	50.1	-15.2%	105.4	95.7	-9.2%
Wine and wine products	128.1	115.9	-9.5%	254.6	243.7	-4.3%
Sugar and tropical products	444.9	456.5	2.6%	912.5	896.2	-1.8%
Sugar & related products	104.0	62.6	-39.8%	199.7	114.4	-42.7%
Cocoa & cocoa products	81.0	102.5	26.5%	164.6	210.4	27.8%
Coffee & coffee products	115.5	149.0	29.0%	278.9	278.3	-0.2%
Spices	27.5	34.4	25.1%	52.7	66.9	26.9%
Rubber & allied products	68.8	58.4	-15.1%	115.5	122.8	6.3%
Livestock and products	419.3	374.2	-10.8%	826.6	739.2	-10.6%
Live animals	124.1	128.7	3.7%	227.2	226.8	-0.2%
Beef and veal	157.7	143.0	-9.3%	313.8	288.0	-8.2%
Pork	84.9	56.9	-33.0%	178.7	120.5	-32.6%
Grains and feeds	119.8	124.1	3.6%	248.6	273.1	9.9%
Oilseeds and products	70.9	79.9	12.7%	157.1	168.5	7.3%
Cotton and products	12.9	16.3	26.4%	26.0	29.9	15.0%
Tobacco products	43.3	26.8	-38.1%	92.4	132.2	43.1%
Dairy and poultry products	95.0	87.3	-8.1%	177.6	177.6	0.0%
Agricultural Total	1,898.0	1,871.2	-1.4%	3,816.9	3,803.7	-0.3%
By Region (\$Millions)	November		%	October–November		%
	1990	1991	Change	1990/91	1991/92	Change
EC-12	466.2	413.5	-11.3%	930.6	888.1	-4.6%
France	93.7	87.7	-6.4%	176.7	173.7	-1.7%
Italy	85.0	83.1	-2.2%	173.2	179.3	3.5%
Netherlands	76.2	56.9	-25.3%	156.5	132.5	-15.3%
North America	481.6	513.0	6.5%	919.6	959.3	4.3%
Canada	284.2	310.4	9.2%	592.6	634.2	7.0%
Mexico	197.4	202.6	2.6%	327.0	325.1	-0.6%
South America	277.1	276.7	-0.1%	604.5	561.8	-7.1%
Brazil	91.9	109.5	19.2%	239.0	221.1	-7.5%
Colombia	72.6	64.9	-10.6%	131.2	125.5	-4.3%
Asia	236.4	239.2	1.2%	455.7	494.5	8.5%
Indonesia	61.2	63.6	3.9%	112.2	133.9	19.3%
Thailand	37.7	42.8	13.5%	67.6	87.7	29.7%
Oceania	168.8	129.4	-23.3%	321.1	274.9	-14.4%
Australia	117.1	76.5	-34.7%	225.2	171.8	-23.7%
New Zealand	49.4	49.4	0.0%	92.3	97.6	5.7%
Central America	81.1	98.1	21.0%	183.6	187.7	2.2%
Middle East	28.5	23.3	-18.2%	68.1	82.1	20.6%
Africa	33.8	72.8	115.4%	80.9	121.5	50.2%
Other West Europe	36.4	27.2	-25.3%	74.0	64.2	-13.2%
Fmr. Sov. Union/E. Europe	30.1	27.1	-10.0%	64.8	63.3	-2.3%
South Asia	30.4	27.1	-10.9%	53.9	60.9	13.0%
Caribbean	24.2	18.9	-21.9%	53.0	36.4	-31.3%
North Africa	3.3	4.9	48.5%	7.1	8.9	25.4%
World Total	1,898.0	1,871.0	-1.4%	3,816.9	3,803.7	-0.3%

Exchange Rate Movements Of Major World Currencies Vis-a-Vis U.S. Dollar -- Daily Spot Quotations (Dec. 16 - Jan 15, 1992)



Currencies	Current Rate 1/15/92	Month Ago 12/13/91	Year Ago 1/91	% Change Year Ago 1/91
Argentine Peso	.99	9905.89	6168.10	-99.98
Australian Dollar	1.3483	1.2979	1.2821	5.16
Brazilian Cruzeiro	1131.81	909.50	184.81	512.42
Canadian Dollar	1.1550	1.1423	1.1557	-0.06
Hong Kong Dollar	7.7655	7.7703	7.7958	-0.39
Japanese Yen	128.90	128.93	133.86	-3.71
Mexican Peso	3063.50	3060.00	2946.21	3.98
Taiwan Dollar	25.15	25.50	26.75	-5.98
South Korean Won	762.90	755.00	716.05	6.54
European ECU	.79402	.77912	.73941	7.39
-British Pound	.5721	.5507	.5175	10.55
-French Franc	5.5560	5.4210	5.1328	8.25
-West German Mark	1.6300	1.5875	1.5108	7.89

NOTE: Exchange rates are daily spot quotes as of 3:00 PM Eastern Time, January 15, 1992.
Source: TEID/ITP/FAS Exchange Rate Database and Wall Street Journal.



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